



GRAND RAPIDS PUBLIC UTILITIES COMMISSION

2023 OPERATIONS & CAPITAL BUDGET

The preparation of the GRPU 2023 operations and capital budgets were a team approach. The managers, directors, and key team positions were involved in budget preparation discussions and on-going actual versus budget discussions in 2022, which will continue into 2023. The 2023 budget was developed using the Budget and Financial Planning Policy 3.3.001.

The 2023 operations and capital budgets includes reliable projections of operations and capital expenses and revenue requirements with proposed planned rate adjustments based on each utility cost of service/rate study.

The electric and water utilities are showing a net income in the 2023 operating budget, while wastewater collection displays a net loss per the 2023 Budget Summary worksheet. Wastewater treatment revenue is collected from GRPU major customer (UPM-Blandin) and equals the operation expenses, except for depreciation. Depreciation is a required under GAAP and considered a book-entry which has no effect on the operating cash flow.

Rate increases as proposed in each utility cost of service/rate study has been included in the budgeted revenues for 2023; including, a 1% increase for electric rates, 15% increase for water rates, and 5% increase for domestic wastewater rates.

Operating expenses include known costs; for example, average insurance increases of 5%, labor contract increases of 2.5%, bond interest and PILOT payments, and training costs for new employees. There are some one-time expenses which are included in the 2023 expense budget; including, a compensation study, consulting services for RPF ERP evaluation and contract negotiation, and preventative maintenance repairs on utility operating equipment, and engineering consulting services for domestic wastewater collection.

The 2023 Expenses by Category pie chart illustrates GRPU three largest cost categories are: (1) purchased power at \$12.9 million, (2) production at \$4.9 million, and (3) distribution at \$2.8 million.

The proposed capital purchases/projects for 2023 are \$12.4 million per the Capital Plan 2023 thru 2027 Department Summary report. The water utility has 2023 capital proposed at \$7.4 million, domestic wastewater collection at \$2.2 million, and wastewater treatment at \$1.1 million. Capital purchases/projects of \$30 million are proposed over the next five years.